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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SECURITY INFORMATION

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|----------------|---|-----------------|-----------------|
| COUNTRY | China/North Korea/Japan | REPORT NO. | [REDACTED] |
| SUBJECT | Sale of North Korean Foliated Graphite to Communist China for Resale to Japan | DATE DISTR. | 2 November 1953 |
| DATE OF INFO. | [REDACTED] | NO. OF PAGES | 2 |
| PLACE ACQUIRED | [REDACTED] | REQUIREMENT NO. | RD 25X1A |
| | | REFERENCES | [REDACTED] |

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1. In early July 1953 the Chin Hua (2516/5478) Commerce Company was acting as an agent in buying foliated graphite from North Korea.¹ Since the graphite was to be paid for in cash, the Chin Hua Company was required to pay the Tientsin Customs authorities 20 percent of the total cost of the cargo. The manager of the Chin Hua Company, whose name was CHANG (1728)(fnu), was to go to Dairen to arrange for the shipment of the graphite to Japan². Because of CHANG's good connections and because the Chin Hua Company was more or less a business partner of the China Export-Import Company,³ little difficulty was anticipated in concluding the transaction.
2. In mid-August the following agreement had been reached between CHON Hye-u (0356/1920/7183), a private trader from North Korea, and the Chin Hua Commerce Company, a private concern in Tientsin. CHON was to supply 300 tons of foliated graphite powder containing more than 80 percent carbon and packed in straw bags. CHON was to assume responsibility for leakage, but the straw bags were not to be added to the net weight of the commodity.
3. CHON agreed to deliver the graphite at the T'umen railway station because transportation facilities centered around the T'umen River area. The graphite was to be delivered within 40 days from the day of the completion of import procedures by the Chin Hua Company. CHON was to assume responsibility for failure of delivery within the stipulated period and was to notify the Chin Hua Company before each shipment.
4. CHON was to assume responsibility for export procedures from Korea including the securing of a letter of origin, the permit of the Ministry of Foreign Trade, and the payment of all expenses such as custom duties. The Chin Hua Company was to assume responsibility for the import permit and all import expenses including import duties.

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5. JMP 3,400,000 per ton was to be paid in T'umen.⁴ Upon completion of import procedures, the Chin Hua Company was to deposit an interim guarantee of JMP 1,000,000 with the T'umen Office of Trade. This sum was to be cleared and the full payment completed upon delivery of the goods to the T'umen railway station.
6. CHON was to assume responsibility for war risk prior to handing over the goods, and the Chin Hua Company was to assume the responsibility after the delivery of the goods.
7. The agreement was to be revised on mutual consent whenever necessary.

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25X1A 1. [Comment. [REDACTED] for an account or tentative arrangements made by the Chin Hua Commerce Company to sell graphite to the Marubeni Company of Japan.

25X1A [REDACTED] Comments

25X1A 2. It is unclear why there was a necessity for making shipping arrangements in Dairen. Possibly, since the graphite was to be delivered at T'umen, it would be shipped directly to Dairen and thence to Japan; but the mention of Tientsin customs charges, as well as the statement [REDACTED] that the graphite would be shipped from Tientsin to Japan, indicate that the shipment was to leave from Tientsin. It is also possible that the graphite was to be transshipped at Dairen, although there is nothing to suggest why this should be done.

3. Probably the China National Import-Export Corporation is meant.

4. According to the June, July, and August exchange rates between JMP and United States dollars, this price would be about US \$100.00 per ton; considerably higher than the prices quoted [REDACTED]

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